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ZNR UUUUU ZZH
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FM AMEMBASSY DAKAR
TO RUEHC/SECSTATE WASHDC PRIORITY 0761
INFO RUEHZO/AFRICAN UNION COLLECTIVE PRIORITY
RUCPDO/USDOC WASHDC
RUEHLMC/MCC WASHDC

UNCLAS SECTION 01 OF 02 DAKAR 000778

SIPDIS

STATE FOR AF/W, AF/EPS, AND EB/CIP:KBLAKEMAN
USDOC FOR 4510/IEP/ANESA/OA/PMICHELINI

E.O. 12958: N/A

TAGS: [ECPS](#) [EINV](#) [EFIN](#) [ECON](#) [PGOV](#) [SG](#)

SUBJECT: SUDATEL SHOULD BRING A NEW DYNAMIC TO SENEGAL'S ICT
SECTOR

REF: 07 DAKAR 1925 (NOTAL)

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¶1. SUMMARY: According to sources from the Ministry of Infrastructure and Telecommunications, Sudanese telecommunications company Sudatel should begin its business operations and ICT infrastructure investment in Senegal in October 2008. Though Sudatel claims to be an independent, private firm, job applications are being processed at the Sudanese embassy in Dakar. Sudatel asserts it will invest USD 500 million over the next five to fifteen years in establishing its own network, in addition to the estimated USD 200 million license fee it has already paid (Reftel). Sudatel is entering a dynamic mobile market and should bring much needed competition to the ISP sector. Mobile customers are concerned that recent legislation that collects customer data is intended to facilitate government eavesdropping. END SUMMARY.

SUDATEL'S AMBITIOUS PROGRAM

¶2. Sudatel has an ambitious program to penetrate the growing telecom market in Senegal. The company has announced plans to invest at least CFA 210 billion (USD 500 million) in equipment and ICT infrastructure in the next two years, and create more than one thousand jobs. The company's recruitment process has already started and job applications are being processed at the Sudanese embassy in Dakar. Sudatel expects to increase the number of fixed-line telephones in Senegal from 283,000 to 300,000 and to increase mobile users from 3.5 million to 4.5 million in the next two years.

¶3. As reported in Reftel, in September 2007, Sudatel won a comprehensive telecommunications license, paying as estimated USD 200 million to become Senegal's third mobile operator and enter into competition with the two existing mobile operators, Orange (part of the France Telecom-controlled Sonatel subsidiary) and Tigo (a unit of Luxembourg-based Millicom). In addition, Sudatel has the right to provide fixed line and internet services, using its own bandwidth to go head-to-head with Sonatel, the current monopoly provider. According to sources from the Ministry of Infrastructure and Telecommunications, after a number of delays, Sudatel plans to start its activities in Senegal in October 2008.

¶4. According to company statements in the Dakar press, this is Sudatel's first venture in West Africa, though it has a large presence in East and Central Africa. Sudatel reportedly represents 60 percent of transactions in the Khartoum stock market and has been listed on the Bahrain and Abu Dhabi exchanges since 2002 and 2003, respectively.

SIGNS OF GROWTH IN THE TELECOM SECTOR

¶5. Over the years, the Senegalese mobile market has recorded sharp increases in subscribers. According to a March report published by

Senegal's telecommunications market regulator ARTP, January 2008 mobile usage reached approximately 39 percent of Senegal's 11 million inhabitants with 99.17 percent of mobile customers using pre-paid accounts. Sonatel/Orange is the market leader with 3.044 million customers, while Tigo has an estimated 1.118 million. As of September 2007, Senegal has approximately 650,000 registered internet accounts, and 96 percent of these are Sonatel ADSL subscribers. Smaller providers and some privately leased lines are operating through special contracts, with Sonatel as the bandwidth provider. Fixed line usage is only approximately three percent of the population or 315,000 lines, but this number has been falling for the past few past years.

¶6. Senegal has generally effective ICT policies, effective regulators, and fairly good telecommunications infrastructure. The GOS has recently established an inter-ministerial intranet service, which is part of a broader pledge by the Wade administration to improve service and accountability to the population. However, this network is not yet widely utilized. With the incorporation of new technology such as 3G services, mobile operators Orange and Tigo are providing customers with increasing access to mobile internet, online banking, and other services. Tigo has recently introduced Blackberry service. The upcoming arrival of the third operator (Sudatel) should further modernize Senegal's telecommunications sector, which could be one of the country's most attractive features for potential new investment.

NEW PRIVACY CONCERNS

¶7. Shortly after the February 2007 presidential elections, new legislation was enacted requiring mobile operators to collect, register, and report to ARTP additional customer data, including national i.d. numbers, date of birth, and address. Previously, it was possible to get a cellphone chip without providing even proof of identity. This new requirement has created some suspicion among

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customers, many of whom feel that the new legislation does not adequately protect personal information, and is likely to be used for government eavesdropping. Consequently, new mobile phone subscriptions have slowed significantly, with Orange Senegal, in which the government controls 28 percent of the shares, seeing a more dramatic slowdown compared to the 100 percent privately owned Tigo, according to industry sources. A member of Senegalese National Assembly told Econ, "I am with Tigo because I don't want my cell phone tapped."

COMMENT

¶8. It is still unclear when Sudatel will begin rolling-out its services, but Senegal is ripe for enhanced competition, both on services and network quality. In particular, land-line quality is poor -- though we are not convinced that Sudatel will make large investments in this sector, apart from tapping into the country's underutilized broadband internet potential. If Sudatel follows through on its announced plans for investment and employment, the company would quickly become one of Senegal's major economic drivers for the coming years. As reported in Reftel, Sudatel is assumed to have won its license over rival bidders because its cash offer was significantly higher. Unfortunately, we believe the GOS spent that entire USD 200 million to support last March's Dakar summit of the Organization of Islamic States (OIC), rather than investing in the country's ICT infrastructure or improving its regulatory effectiveness. Though Sudatel purports to be an independent, private company, it will be interesting to see if GOS regulators are influenced by Senegal's relations with Sudan. President Wade speaks of a "special relationship" between the two countries, especially after brokering a "peace agreement" between the Presidents of Sudan and Chad at the OIC summit.

SMITH